

Dear Sir/Madam:

The IRS is currently seeking information on the possibilities of the private sector offering free tax preparation and electronic filing over the Internet. Responses are welcome from and open to any members of private industry who can directly or indirectly provide this capability to taxpayers via the Internet. Responses are also welcome from the general public.

This Request for Information (RFI) is for planning purposes only. Responses to this RFI are not offers and cannot be accepted by the Government to form a binding contract. The IRS plans to issue a subsequent solicitation for purposes of identifying organizations who are willing to offer free tax preparation and electronic filing via the Internet in exchange for some combination of monetary or non-monetary consideration.

The RFI describes the background and benefits to industry for offering such a service. Your input is invited for information purposes in the areas of systems design, security and privacy, industry competition and/or partnership opportunities, timeframes for feasible implementation and overall concept of the intended Internet opportunity. Specific instructions on responding are provided in the RFI.

As mentioned, all suggestions and/or comments are for informational purposes only and will be used for defining the design and policy requirements of such an Internet opportunity. Your response to the RFI will not be used for contractual selection.

All contractual questions concerning the RFI should be directed to Ms. Michelle Lane at (202) 283-1281. All other questions should be directed to Mr. Frank Montero at (202) 283-7137.

E-mail responses should be addressed to freeinternetfilingproject@irs.gov. Written responses should be sent to:

Free Internet Filing Project
Internal Revenue Service OP:ETA:I:CM
NCFB C4-322
5000 Ellin Road
Lanham, MD 20706

All responses to this RFI are requested before 12:00 a.m., August 21, 2000. Your interest in responding to this project is greatly appreciated.

Sincerely,

Michelle Lane
Contracting Officer

**DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ELECTRONIC TAX ADMINISTRATION**

REQUEST FOR INFORMATION

The Office of Electronic Tax Administration (ETA) within the Department of Treasury's Internal Revenue Service (IRS) is issuing this Request for Information (RFI) to analyze the public and private sector's reaction to a proposed electronic opportunity via the Internet. The IRS requests comments on various aspects of the implementation of this opportunity.

Background

The mission of ETA is to revolutionize how taxpayers transact and communicate with the IRS. Strategies to fulfill this mission include:

- Making electronic filing (*e-file*), payments, transactions and communications so simple, inexpensive and trusted that taxpayers will prefer these to calling and mailing;
- Providing additional taxpayer access methods to products and services centering on electronic filing, payment, transaction, and communication products and services;
- Aggressively protecting transaction and information integrity and quality;
- Seeking the best people, ideas and partners to assure IRS success; and
- Delivering the highest quality products and services as promised.

These strategies include the development and implementation of an aggressive IRS *e-file* awareness campaign and the solicitation of assistance and support from the tax professional and software development community within private industry. Collectively, all efforts will help the IRS strive to achieve the overriding goal of receiving 80% of all tax and information returns electronically by 2007. As provided by the IRS Reform and Restructuring Act of 1998, such bold and innovative steps are necessary to continue the previously mentioned revolution - which to date, is gaining momentum. For example, per IRS statistics, during the entire 1999 income tax filing season, the IRS received and processed almost 30 million income tax returns electronically. Through June 1, 2000 of the 2000 income tax filing season, the IRS had already received and processed over 35 million tax returns electronically - a significant increase from the previous year. However, additional efforts and/or partnerships are needed to reach set objectives.

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Current Opportunities for Taxpayers

Currently, taxpayers desiring to self-prepare and electronically file an individual income tax return must use third party tax preparation software. Such software is available for purchase over-the-counter and/or is available on-line or via download from the Internet. In most cases, the industry charges a fee to use the software for tax preparation and/or for electronic filing. Taxpayers have increasingly notified the IRS that they want to prepare and file their tax return electronically but at no cost to them. Many have indicated that they would prefer to file directly with the IRS instead of using a third party.

Presidential Budget Provision

Per the President's FY2001 Budget Request:

"No later than tax year 2002, the IRS would be required to offer one or more options to the public for preparing and filing individual income tax returns over the Internet at no cost to the taxpayer. If the IRS offered such options through contract arrangements with Authorized IRS e-file Providers, it would be with the assurance that the taxpayer's tax return information would not be used by the Provider without the taxpayer's permission for any purpose other than submission to the IRS."

The IRS is hopeful to build on the trends that already exist in industry, which are to offer very low cost or even no cost tax services over the web. Individuals interested in learning more about such trends in industry may visit the IRS *e-file* Partnership Page located within the Electronic Services section of the IRS web site at <http://www.irs.gov>.

Security Requirements

One of the most important requirements of any ultimate offering will be for the private sector to maintain the confidentiality and security of the taxpayer's data. Although this information is supplied to the private sector at the taxpayer's consent, the IRS will require that all information received through this program meet the following stringent security requirements:

- (1) Tax return information will be kept confidential
- (2) Tax return information will be used solely for the purpose directed by the taxpayer
- (3) Tax return information will not be further disclosed, traded, bartered or sold without the express authorization of the taxpayer (i.e., the contractor will be required to obtain another authorization from the taxpayer for further disclosures).

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Requested Comments

The IRS is seeking comments and input from the public and from private industry concerning this concept. In particular, the IRS is interested in responses to the following, but will appreciate all comments or reactions to this on-line project:

1. Discuss the possibility of offering free tax preparation and electronic filing for the following market segment(s) via a secure web site: Taxpayers filing a Form 1040EZ, 1040A and 1040.
2. What would you expect in return from the IRS (if anything) for offering the free Internet filing opportunity to taxpayers?
3. Discuss any and all services you would offer (for profit and non-profit) in concert with this free Internet filing opportunity.
4. Please comment on having this implemented and fully functional by the 2001 filing season. For the 2002 filing season?
5. Discuss any advantages for your business in being identified as an IRS *e-file* Partner on the IRS web site (<http://www.irs.gov>).
6. What circumstances give rise to good privacy and information safeguarding protection in an on-line setting.
7. What do you, your business or agency see as methods to increase confidentiality, security and improved customer service to the taxpayer in an on-line environment.
8. What do you, your business or agency see as elements of enforcement mechanisms necessary for maintaining effective confidentiality, security or enhancing customer service to the taxpayer.
9. What would you, your business or agency identify as an appropriate consequence for any mishandling, misuse or unauthorized disclosure of tax return information by a third party.
10. Do you, your business or agency, regularly sell customer information for marketing or advertising purposes?
11. What do you, your business or agency, see as the main advantage(s) and disadvantage(s) of the free Internet capability?
12. Please indicate your industry type or if you are an individual.
13. Discuss the best ways to market this free Internet filing opportunity.
14. Discuss offering *e-file* to your employees as a requirement for partnering with the IRS.

Robert E. Barr
Assistant Commissioner
Electronic Tax Administration

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Dates: Electronic comments must be received by 12:00 a.m., August 21, 2000.

Addresses:

Written comments can be mailed to:

Free Internet Filing Project
Internal Revenue Service OP:ETA:I:CM
Attn: Mr. Frank Montero
NCFB C4-322
5000 Ellin Road
Lanham, MD 20706

Paper submissions should include three paper copies and a version on diskette in ASCII, Microsoft Word (please specify version), or WordPerfect (please specify version) format.

Electronic Comments: Comments submitted in electronic form should be in ASCII, Microsoft Word (please specify version) or WordPerfect (please specify version) format to the following e-mail address: freeinternetfilingproject@irs.gov

For further information contact: Mr. Frank Montero, Internal Revenue Service,
(202) 283-7137.